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THE NEW CONSUMER – FRUGAL AND LOVING IT

JAMES ENDERSBY highlights why brands shouldn't be complacent about the economic upturn – consumers are not in a rush to return to their old spending habits and are ever more demanding.

Consumer confidence is at its strongest level in over three years, with most of us now expecting to be better off in the coming months. However, despite the downturn being behind us and consumers feeling more confident, we shouldn't expect a speedy return to carefree pre-recession spending extravagance. Recent economic events have radically altered consumer behaviour. Our research indicates that, while levels of financially based fears are decreasing and consumer confidence is improving, the recession-hardy are embracing a new norm. Spurred on by a burning desire for a good deal, a distrust of big brands, the realisation that trading down isn't actually that bad, and a host of new mobile apps, websites and supportive consumer champions, most are continuing to embrace recessionary behaviours. They're frugal and proud and not afraid to completely sink a brand's reputation if it fails to deliver, because they absolutely expect to be treated fairly.

This is clearly a 'new normal' and brands which are hoping for a rapid return to pre-recessionary spending habits will need to adjust to the transformed consumer landscape. Those that are quick to do so will join a small, but growing, group of 'consumer sweethearts'.

GETTING A KICK OUT OF TRADING DOWN

After experiencing disappointing growth in 2011 and 2012, the UK economy showed strong signs of recovery last year, with 2014 seeing further encouraging signs of increasing consumer confidence and positive economic growth. The Chancellor's recent announcement that the Office for Budget Responsibility has revised its growth forecast for 2014 from 2.4% to 2.7% is yet more welcome news and bodes well for the year ahead.

With brighter days ahead, you might expect that consumers would be flocking to stock up their cupboards with the premium products they once enjoyed. However, this does not appear to be the case.

Through multiple focus groups and large quantitative surveys for a variety of clients, we've discovered that many consumers, from a mixture of social classes, have been pleasantly surprised by what they have found on their way down the 'frugal ladder'.

Our research shows that, of those who traded down, a majority (79%) feel that the lower-priced items that they now purchase are just as good as the higher-priced items they previously enjoyed, and a large proportion (72%) do not anticipate a return to purchasing higher priced items in the near future. Our research also reveals that:

- 37% said that the lower-priced brands had performed better than expected
- 59% claim to no longer prefer higher-priced items
- 60% said that higher-priced items are not worth the money spent on them
- 75% think that they will stick with lower-priced items even if they are able to afford more expensive ones.

THE RISE OF THE TECH-SAVVY

One of the key differences between this post-recession period and others across history is that consumers are now able to take advantage of game-changing advancements in technology to support their decision-making journey. The growth of mobile and tablet users means that a consistent, multichannel, user-friendly online purchasing process is more important than ever.

We now see confident, demanding, tech-savvy post-recessionary consumers, armed to the teeth, and with high expectations of brands.

With all of these potential customers circulating cyber-space, brands must be able to respond to online requests and complaints in real time. Tweets, 'Likes', comments and a brand's online reputation can mean the difference between rocketing increases in market share or a dwindling and embarrassing decline in growth.

Our research shows that two-thirds of UK consumers (66%) now feel that what other people write about products and services online is to be trusted more than what companies say themselves, meaning that a brand's online footprint can make or break it.

Nearly seven in ten (68%) UK consumers now agree that reading comments made by other people online helps us to make quick decisions about products or brands. The killer blow? Nearly six in ten of us say that we often change our minds about buying brands and products based on what we see other people saying about them online, with 55% indicating that even a single negative review can have an impact on how they feel about a brand.

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Financial services' brands certainly aren't immune to all of this healthy online consumer debate. From our research, we know that over one in ten (12%) UK consumers are linked in with financial services' brands socially. Just over a fifth have read or written comments about financial brands in the last 12 months, two-thirds (65%) of whom have done so to get more information about the brand's products and services or benefit from a special or promotion (62%).

TRUSTED TO DELIVER?

Low levels of trust continue to be a huge concern for big brands. In the 2013 Opinium Trust Survey, a third of UK adults said that they trust companies less than they did the year before. Just over 50% say they are dissatisfied with how big business capitalism operates in Britain at the moment. Consumers cite corporate 'greed' as the main driver for this, followed by 'tax avoidance issues', then 'poor customer service', 'corruption and dishonesty', 'an unfair society' and 'low levels of social responsibility'.

Finding the cheapest insurance premiums or best interest rates using the host of well-known aggregator sites is now easier than ever but, with the financial services industry suffering from a now well-documented lack of trust, consumers are also able to benefit from a host of consumer crusaders, apps and websites. These help them not only to save money, but also to ensure they are treated fairly.

We're familiar with many of them. Martin Lewis, one of the best known, has a no-nonsense approach and his website www.moneysavingexpert.com has a wealth of information for consumers.

We've recently had the privilege of working with James Daley's Fairer Finance (www.fairerfinance.co.uk) as our research with over 10,000 consumers underpins two of the four criteria behind the ratings. This website helps consumers to understand which companies treat their customers well and which ones still have work to do. Each bank, building society and insurer is rated on four criteria –customer happiness (satisfaction), customer trust, complaints handling and transparency. In all four areas, the higher the score that an organisation receives, the better it is compared to others in its sector, giving consumers a simple method of selecting financial brands, before either going direct, or through a host of well-known aggregators that will help them secure the best price too.

TWO QUICK REMINDERS

The economy is bouncing back and consumers will continue to grow in confidence as the good times return. This is, of course, great news, but brands that wish to become (or remain) consumer darlings and increase their market share need to remember the following:

1. Don't take growing consumer confidence for granted. Many get a kick out of trading down and will proudly continue to do so.
2. Price is important, but keep an eye focused on your online reputation, as this could count in your favour even more than price. A product or service is really only as good as its last customer comment.

Consumers are taking advantage of game-changing advancements in technology to support their quests to purchase from brands that will not only give them the cheapest deal, but ones that are able to prove that they treat their customers fairly.